Make a good faith effort to refund to the consumer by cash, check, or money order, or credit to a deposit account of the consumer, any part of the credit balance remaining in the account for more than six months. No further action is required if the consumer's current location is not known to the creditor and cannot be traced through the consumer's last known address or telephone number.

Account termination. (1) A creditor shall not terminate an account prior to its expiration date solely because the consumer does not incur a finance charge.

(2) Nothing in paragraph (b)(1) of this section prohibits a creditor from terminating an account that is inactive for three or more consecutive months. An account is inactive for purposes of this paragraph if no credit has been extended (such as by purchase, cash advance or balance transfer) and if the account has no outstanding balance.

Timely settlement of estate debts. (1) General rule. (i) Reasonable policies and procedures required. For credit card accounts under an open-end (not home-secured) consumer credit plan, card issuers must adopt reasonable written policies and procedures designed to ensure that an administrator of an estate of a deceased accountholder can determine the amount of and pay any balance on the account in a timely manner.

(ii) Application to joint accounts. Paragraph (c) of this section does not apply to the account of a deceased consumer if a joint accountholder remains on the account.

(2) Timely statement of balance. (i) Requirement. Upon request by the administrator of an estate, a card issuer must provide the administrator with the amount of the balance on a deceased consumer's account in a timely manner.

(ii) Safe harbor. For purposes of paragraph (c)(2)(i) of this section, providing the amount of the balance on the account within 30 days of receiving the request is deemed to be timely.

(3) Limitations after receipt of request from administrator. (i) Limitation on fees and increases in annual percentage rates. After receiving a request from the administrator of an estate for the amount of the balance on a deceased consumer's account, a card issuer must not impose any fees on the account (such as a late fee, annual fee, or over-the-limit fee) or increase any annual percentage rate, except as provided by §226.55(b)(2).

(ii) Limitation on trailing or residual interest. A card issuer must waive or rebate any additional finance charge due to a periodic interest rate if payment in full of the balance disclosed pursuant to paragraph (c)(2) of this section is received within 30 days after disclosure.

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by which the card issuer may be notified of loss or theft of the card. The notice shall state that the cardholder’s liability shall not exceed $50 (or any lesser amount) and that the cardholder may give oral or written notification, and shall describe a means of notification (for example, a telephone number, an address, or both); and

(iii) The card issuer has provided a means to identify the cardholder on the account or the authorized user of the card.

(3) Notification to card issuer. Notification to a card issuer is given when steps have been taken as may be reasonably required in the ordinary course of business to provide the card issuer with the pertinent information about the loss, theft, or possible unauthorized use of a credit card, regardless of whether any particular officer, employee, or agent of the card issuer does, in fact, receive the information. Notification may be given, at the option of the person giving it, in person, by telephone, or in writing. Notification in writing is considered given at the time of receipt or, whether or not not received, at the expiration of the time ordinarily required for transmission, whichever is earlier.

(4) Effect of other applicable law or agreement. If state law or an agreement between a cardholder and the card issuer imposes lesser liability than that provided in this paragraph, the lesser liability shall govern.

(5) Business use of credit cards. If 10 or more credit cards are issued by one card issuer for use by the employees of an organization, this section does not prohibit the card issuer and the organization from agreeing to liability without regard to this section. However, liability for unauthorized use may be imposed on an employee of the organization, by either the card issuer or the organization, only in accordance with this section.

(c) Right of cardholder to assert claims or defenses against card issuer.24 (1) General rule. When a person who honors a credit card fails to resolve satisfactorily a dispute as to property or services purchased with the credit card in a consumer credit transaction, the cardholder may assert against the card issuer all claims (other than tort claims) and defenses arising out of the transaction and relating to the failure to resolve the dispute. The cardholder may withhold payment up to the amount of credit outstanding for the property or services that gave rise to the dispute and any finance or other charges imposed on that amount.25

(2) Adverse credit reports prohibited. If, in accordance with paragraph (c)(1) of this section, the cardholder withholds payment of the amount of credit outstanding for the disputed transaction, the card issuer shall not report that amount as delinquent until the dispute is settled or judgment is rendered.

(3) Limitations. (i) General. The rights stated in paragraphs (c)(1) and (c)(2) of this section apply only if:

(A) The cardholder has made a good faith attempt to resolve the dispute with the person honoring the credit card; and

(B) The amount of credit extended to obtain the property or services that result in the assertion of the claim or defense by the cardholder exceeds $50, and the disputed transaction occurred in the same state as the cardholder’s current designated address or, if not within the same state, within 100 miles from that address.26

(ii) Exclusion. The limitations stated in paragraph (c)(3)(i)(B) of this section shall not apply when the person honoring the credit card:

(A) Is the same person as the card issuer;

(B) Is controlled by the card issuer directly or indirectly;

(C) Is under the direct or indirect control of a third person that also directly or indirectly controls the card issuer;

(D) Controls the card issuer directly or indirectly;

(E) Is a franchised dealer in the card issuer’s products or services; or

(F) Has obtained the order for the disputed transaction through a mail solicitation made or participated in by the card issuer.

(d) Offsets by card issuer prohibited. (1) A card issuer may not take any action,
§ 226.13 Billing error resolution

(a) Definition of billing error. For purposes of this section, the term billing error means:

(1) A reflection on or with a periodic statement of an extension of credit that is not made to the consumer or to a person who has actual, implied, or apparent authority to use the consumer’s credit card or open-end credit plan.

(2) A reflection on or with a periodic statement of an extension of credit that is not identified in accordance with the requirements of §§226.7(a)(2) or (b)(2), as applicable, and 226.8.

(3) A reflection on or with a periodic statement of an extension of credit for property or services not accepted by the consumer or the consumer’s designee, or not delivered to the consumer or the consumer’s designee as agreed.

(b) Handling of billing errors.

(1) Each card issuer shall develop and implement procedures for the timely investigation and resolution of billing errors reported by consumers.

(2) Each card issuer shall, within 3 business days after receipt of a written notice of error from a consumer, investigate the matter in question and, if the card issuer determines in good faith that the item is an error, correct the error promptly.

(3) If the card issuer determines that an error has not occurred, or if the consumer is still not satisfied, the card issuer shall render a good faith explanation of the consumer’s account to the consumer. If the card issuer determines that an error has not occurred, and if the consumer is still not satisfied, the card issuer shall provide the consumer with an opportunity to resolve the issue directly with the creditor responsible for the error.

(4) The card issuer shall provide the consumer with the results of its investigation and a good faith explanation of how the error was handled, not later than 180 days after the error was reported.

(5) In the case of billing errors, a card issuer’s failure to perform any of the requirements set forth in this section shall be considered an unfair act or practice in violation of the Act.

(c) Dispute resolution.

(1) Each card issuer shall establish procedures to resolve disputes raised by consumers in accordance with this section. Each card issuer shall make written dispute resolution procedures available to consumers and shall provide such procedures in consumer-friendly language.

(2) Each card issuer shall, in a timely manner, investigate any dispute raised by a consumer and provide a good faith explanation of the consumer’s account, if the card issuer determines in good faith that the item is an error, correct the error promptly.

(3) If the card issuer determines that an error has not occurred, or if the consumer is still not satisfied, the card issuer shall provide the consumer with an opportunity to resolve the issue directly with the creditor responsible for the error.

(4) The card issuer shall provide the consumer with the results of its investigation and a good faith explanation of how the error was handled, not later than 180 days after the error was reported.

(5) In the case of dispute resolution, a card issuer’s failure to perform any of the requirements set forth in this section shall be considered an unfair act or practice in violation of the Act.

(d) Notice of returns and crediting of refunds.

(1) When a creditor other than the card issuer accepts the return of property or forgives a debt for services that is to be reflected as a credit to the consumer’s credit card account, that creditor shall, within 7 business days from accepting the return or forgiving the debt, transmit a credit statement to the card issuer through the card issuer’s normal channels for credit statements.

(2) The card issuer shall, within 3 business days from receipt of a credit statement, credit the consumer’s account with the amount of the refund.

(3) If a creditor other than a card issuer routinely gives cash refunds to consumers paying in cash, the creditor shall also give credit or cash refunds to consumers using credit cards, unless it discloses at the time the transaction is consummated that credit or cash refunds for returns are not given. This section does not require refunds for returns nor does it prohibit refunds in kind.

(e) Discounts; tie-in arrangements.

(1) No card issuer may, by contract or otherwise:

(a) Prohibit any person who honors a credit card from offering a discount to a consumer to induce the consumer to pay by cash, check, or similar means rather than by use of a credit card or its underlying account for the purchase of property or services; or

(b) Require any person who honors the card issuer’s credit card to open or maintain any account or obtain any other service not essential to the operation of the credit card plan from the card issuer or any other person, as a condition of participation in a credit card plan. If maintenance of an account for clearing purposes is determined to be essential to the operation of the credit card plan, it may be required only if no service charges or minimum balance requirements are imposed.

27 [Reserved]